
title: "Mid-Market vs Retail Exchange Rates: What Developers Need to Know" published:
true tags: api, currency, fintech, webdev canonical_url: [https://allratestoday.com/blog/
mid-market-vs-retail-exchange-rates/](https://allratestoday.com/blog/mid-market-vs-retail-exchange-rates/) cover_image:

When you integrate an exchange rate API into your application, one of the most important questions to ask is: **"Is this the mid-market rate or a retail rate?"** The difference can mean a 1–5% hidden markup on every conversion your users see — and most API documentation doesn't make this clear.

What Is the Mid-Market Rate?

The **mid-market rate** (also called the **interbank rate**) is the midpoint between the buy price and the sell price of a currency pair on the global foreign exchange market. It is the "true" exchange rate — the rate at which banks trade with each other in large volumes.

When you see an exchange rate on Google, XE, or Bloomberg, you are seeing the mid-market rate.

Example: If banks are buying EUR at 1.0820 USD and selling EUR at 1.0830 USD, the mid-market rate is **1.0825** — the midpoint between the two.

What Is a Retail Rate?

A **retail rate** is the mid-market rate plus a **spread** (markup). This spread is how banks, exchange services, and money transfer companies make money.

Provider Type	Typical Spread	Impact on \$10,000
Mid-market (interbank)	0%	\$0
Online transfer (e.g. Wise)	0.3–0.7%	\$30–\$70
Bank wire transfer	1–3%	\$100–\$300
Credit card foreign transaction	1–3%	\$100–\$300
Airport currency exchange	3–8%	\$300–\$800

Why This Matters for Your Application

If your API returns retail rates instead of mid-market rates, you have a transparency problem. Your users might think they are getting the "real" exchange rate, but there is already a hidden markup baked into the data.

E-Commerce Price Display

If your online store shows "1 USD = 0.92 EUR" but the real mid-market rate is 0.9350, your international customers are seeing prices that are 1.6% higher than they should be. On a \$500 purchase, that is \$8 in invisible overcharge.

Multi-Currency SaaS Billing

If you bill customers in their local currency using retail rates, you are effectively applying a markup your customers didn't agree to.

Financial Reporting

Auditors and compliance teams expect rates traceable to a recognized source. Mid-market rates from Reuters, Bloomberg, or Central Banks are accepted. Retail rates from unnamed sources are not.

How to Tell What Your API Returns

1. **Compare against Google:** Search "1 USD to EUR" on Google (mid-market rate). If your API's rate differs by more than 0.05%, it may include a spread.
2. **Check the documentation:** Look for "interbank," "mid-market," or "wholesale." If the docs say "indicative rates" or don't specify, be cautious.
3. **Ask about the source:** Reuters, Refinitiv, or Bloomberg = mid-market. Unnamed "multiple sources" = potentially includes retail spreads.

Red flag: If an exchange rate API is completely free with unlimited requests and doesn't disclose its data source, the data may be low-quality or include a hidden spread.

Adding Your Own Transparent Markup

If your business model requires a spread, start with the mid-market rate and apply your own transparent margin:

```
import AllRatesToday from '@allratetoday/sdk';

const client = new AllRatesToday('YOUR_API_KEY');
const MARKUP = 0.005; // 0.5% spread

async function getCustomerRate(from, to) {
  const midMarketRate = await client.getRate(from, to);
  const customerRate = midMarketRate * (1 - MARKUP);
  return {
    midMarket: midMarketRate,
    customerRate: customerRate,
    spread: MARKUP
  };
}

const rate = await getCustomerRate('USD', 'EUR');
console.log(`Mid-market: ${rate.midMarket}`);
console.log(`Customer rate: ${rate.customerRate} (includes ${rate.spread * 100}% fee)`);
```

This approach gives you full control over your pricing while being transparent with your users about the markup.

Quick Reference

Aspect	Mid-Market Rate	Retail Rate
Definition	Midpoint between buy/sell	Mid-market + provider's spread
Markup	None	0.3% to 8%
Used by	Google, XE, Bloomberg	Banks, exchange bureaus
Best for apps	Price display, invoicing, comparison	Simulating actual transfer cost
Audit-friendly	Yes (traceable source)	Depends on provider

AllRatesToday provides mid-market rates from Reuters/Refinitiv for 160+ currencies. No hidden spreads, no markup. Free tier available.

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